

The Health Coverage Tax Credit: Making Health Coverage More Affordable

Access to health coverage remains a major concern for millions of Americans. Many simply find health coverage unaffordable. Others lose their health coverage or the ability to pay for their own coverage when they lose their jobs. Last year, Congress passed the Trade Reform Act of 2002, Public Law No. 107-210 (the Act). The Act created the Health Coverage Tax Credit (HCTC) for the purchase of private health coverage for individuals certified by the Department of Labor to receive certain benefits under the Trade Adjustment Assistance (TAA) program or Alternative Trade Adjustment Assistance (ATAA) program and some individuals who receive benefits from the Pension Benefit Guaranty Corporation (PBGC).

HCTC can make health coverage affordable for some individuals who might otherwise go without it. This federally funded tax credit pays 65% of the premium amount that certain individuals pay for qualified health coverage.

Being able to afford health coverage and proper medical care can be a lifesaver for people. Under the HCTC program, a person can choose to have the 65% credit applied each month to their health plan premiums as they come due. Or they can claim the credit when they file their federal tax returns. Those are options you can discuss with individuals so they understand the pros and cons of each choice.

Here is a quick look at how you can make an important contribution to the well-being of individuals who may need health coverage because they've been laid off or their pension benefits no longer include health coverage.

The new Health Coverage Tax Credit saves eligible individuals \$65 on every \$100 they spend on qualified health coverage.

Eligibility is determined on a monthly basis and understanding the many related criteria is necessary to help individuals obtain this tax credit. For example, individuals are only eligible to claim the HCTC for periods in which they were covered by a qualified health plan. Only specific health plans qualify for the HCTC. To determine if an individual is a candidate for HCTC, start by asking if he or she is (or was during any part of the 2003 tax year):

- Receiving benefits under the (TAA)Trade Adjustment Assistance Act; or
- Receiving benefits under the (ATAA)Alternative Trade Adjustment Assistance program; or
- Receiving pension payments from the Pension Benefit Guaranty Corporation (PBGC) and between the ages of 55 and 65*.

If the answer to any of these questions is "Yes," and if the individual is enrolled in a qualified health plan and *not* eligible for Medicare, it will be worthwhile to have the individual learn more about the eligibility criteria. This can be done by calling the **HCTC Customer Contact Center** toll free at **1-866-628-HCTC** or TDD/TTY at 1-866-626-4282, where you may also get answers to questions about qualified health plans and what forms to file. You may also visit the IRS website at www.irs.gov (IRS Keyword: HCTC).

* If individuals are over the age of 65 and not eligible for Medicare, they may be eligible for the HCTC.